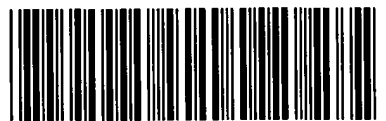


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COMPANIES HOUSE

**Talbot Underwriting Ltd**  
**Report and financial statements**  
31 December 2019

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## Strategic report

The directors present the strategic report of Talbot Underwriting Ltd ("TUL" or "the company") for the year ended 31 December 2019.

### Principal activities

The principal activity of the company is that of a Lloyd's managing agency. TUL manages the affairs of syndicate 1183 ("the syndicate"). The principal activity of the syndicate continues to be the underwriting of direct and reinsurance business in the Lloyd's market. Syndicate capacity for the 2019 year of account was £650m and capacity for the 2020 year of account is £650m. Syndicate capacity is provided by a fellow group company, Talbot 2002 Underwriting Capital Ltd.

The company also acts as holding company for one UK and four overseas companies which underwrite business on behalf of the syndicate. Talbot Underwriting (MENA) Ltd, Talbot Risk Services (Labuan) Pte. Ltd and Talbot Underwriting (LATAM) S.A. have ceased underwriting and the run-off of the business was transferred to Talbot Underwriting Risk Services Ltd. These companies are disclosed in note 9 to the financial statements.

### Review of business

The principal sources of revenue for the company are the managing agency fee charged to the syndicate, currently 1% of syndicate capacity (2018: 1%) and profit commission on the underwriting results of the syndicate currently 15% of the year of account result (2018: 15%). These are shown for the current and preceding year in the table below.

	2019 £'000	2018 £'000
Managed syndicate capacity	650,000	650,000
Managing agency fee	6,500	6,500

Expenses consist primarily of a management fee charged to TUL by the service company Talbot Underwriting Services Ltd ("TUSL"). Administrative expenses were £8.1m against £12.5m in 2018.

The loss for the financial year was £1.3m (2018: loss £4.8m).

The net asset position of the company has decreased from £15.9m to £14.6m. The main asset on the balance sheet is a debtor of £12.5m due from group undertakings (2018: £10.6m due from the syndicate).

## Strategic report (continued)

### Principal risks and uncertainties

As a managing agent at Lloyd's, the principal risk to TUL arises from future cash flows in respect of income that it receives from its management of the syndicate. Income arises from fees charged to the syndicate and profit commission on the underwriting result. Managing agency fees are directly related to the future capacity of the syndicate. A reduction in the capacity due to unprofitable underwriting or reduction in capital support for the syndicate will reduce fee income to TUL. There is a level of uncertainty over the level of profit commission receivable by TUL as it is dependent on future syndicate results which can vary significantly.

The principal risks and uncertainties of the syndicate are disclosed in the syndicate's report and accounts.

#### *Credit risk*

The key risk is the risk of default by the syndicate and/or one or more group companies. To mitigate this risk, balances with the syndicate and group companies are reviewed on a regular basis.

#### *Regulatory and compliance risk*

TUL is required to operate under the regulatory and compliance frameworks set by the Prudential Regulation Authority as regulator and Lloyd's as franchisor. As a managing agent, TUL is required by Lloyd's to maintain a minimum level of net assets. Regulatory and compliance risk is considered to be the inability or failure of the company to comply with UK regulatory requirements. TUL's net assets are monitored regularly to ensure that solvency requirements are met.

### Section 172 Statement

As a Board, we believe that in order to support Talbot Underwriting Ltd ("Talbot") and its shareholder's long-term strategic objectives and aspirations, we must collectively consider the interests and impact on the key stakeholders of Talbot, which is best achieved through proactive and effective engagement. It is important to maintain relationships with Talbot's community of stakeholders including; employees, the wider AIG Group (as sole shareholder), customers (including insureds and brokers), suppliers, regulators and the local community and the environment in which Talbot operates. By understanding our stakeholders, as Directors of Talbot we determine whether principal decisions are underpinned by appropriate stakeholder considerations and we pay due regard to their interests, in accordance with Section 172 of the UK Companies Act 2006.

The Board sets a clearly defined long term strategy for success, focusing on 6 'strategic pillars' which directly impact Talbot's key stakeholders:

#### Strategic Pillars

- Culture
- Group Synergy
- Portfolio Optimisation
- Customer Focus
- Superior Analytics
- Operational Efficiency

The Board receives quarterly performance reporting and dedicates time at each quarterly Board meeting to discuss the strategic pillars and progress in fulfilling the company's strategic goals. In addition, the Board meets at least annually to conduct an in-depth review of Talbot's strategy, and to ensure that key internal and external factors are considered in determining Talbot's long term strategy.

For the 2019 reporting year, the Board is satisfied that it has effectively engaged with and paid due regard to the interests of key stakeholders. In the below Table 1, we set out our community of stakeholders, their material issues and how we engage with them. Table 2 sets out the principal decisions taken by the Board in 2019, the impact of these decisions on the long term strategy of the company and the stakeholders considered. The Board will continue to review and challenge how Talbot can continuously improve engagement with key stakeholders.

## Strategic report (continued)

### Section 172 Statement (continued)

Table 1:

Who: Stakeholder	Why: Strategic Impact	How: Talbot Board Reporting and Engagement with Stakeholders	What: Outcomes and Actions
<b>Our Employees</b>	<p>Talbot Underwriting Ltd does not directly employ individuals, however employees in the Talbot group of companies who are employed by Talbot Underwriting Services Ltd are considered key stakeholders of Talbot Underwriting Ltd.</p> <p>Employees are integral to the long term success of the company. A strategic project to develop the company culture over the course of 2019-2022 aims to redefine organisational values, related behaviours, policies and processes so that we have clarity of purpose and our everyday actions demonstrate our values of, among other things, accountability, adaptability and drive to continually improve performance.</p>	<ul style="list-style-type: none"> <li>Quarterly Board reporting on Culture Strategic Pillar and People and Learning departmental updates</li> <li>Quarterly All-Staff Briefings</li> <li>Informal employee Q&amp;A sessions with Executive Directors</li> <li>Regular meetings of Independent Non-Executive Directors with Heads of Departments</li> <li>Diversity and Inclusion Committee: INED acts as Chair</li> <li>Board training on Diversity and Inclusion</li> </ul>	<ul style="list-style-type: none"> <li>A well-established Learning and Talent Development programme to support employees in their career development and to support the delivery of the company strategy</li> <li>Various new initiatives undertaken in 2019, including the 'Talbot Fundamentals' which articulate the characteristics of our employees that will assist Talbot to deliver its strategy</li> <li>Employee engagement surveys</li> <li>Flexible working programme introduced</li> <li>Promotion of Diversity and Inclusion activity and development of targets</li> <li>Various recruitment process changes to attract a more diverse range of candidates</li> </ul>
<b>AIG Group - our sole shareholder</b>	<p>Talbot pays regard to the strategic direction and purpose of the AIG Group and the long-term aspiration of positioning the AIG Group as an industry leader delivering sustainable, profitable growth.</p>	<ul style="list-style-type: none"> <li>Quarterly Board reporting on Group Synergy Strategic Pillar and broader AIG Strategic Group update</li> <li>AIG Senior Executives who serve as Non-Executive Directors on the Talbot Board ("AIG NEDs")</li> <li>AIG town halls with Q&amp;A sessions with AIG Group Executives</li> <li>Regular but adhoc one on one engagement between Talbot INEDs and AIG NEDs</li> </ul>	<ul style="list-style-type: none"> <li>Collaboration between Talbot and the wider AIG Group has strengthened through a number of initiatives which were mutually beneficial to Talbot and the AIG Group</li> </ul>

## Strategic report (continued)

### Section 172 Statement (continued)

Table 1: (continued)

<b>Our Customers - Brokers and Insureds</b>	<p>The Talbot strategy focuses on delivering long term value to its customers as insureds, and working effectively with brokers for the mutual benefit of insured, brokers and Talbot.</p>	<ul style="list-style-type: none"> <li>Quarterly Board reporting on:                             <ul style="list-style-type: none"> <li>Customer and Distribution Strategic Pillars</li> <li>Superior Analytics Strategic Pillar</li> <li>Conduct Risk</li> <li>Broker engagement strategy</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Talbot uses advanced data and analytics tools to meet the changing needs of its customers</li> <li>Talbot works with the AIG Group to develop and maintain key customer relationships</li> <li>Talbot continues to refine its value proposition and engage with Lloyd's and the wider London market</li> </ul>
<b>Our regulators the FCA, PRA and Lloyd's</b>	<p>Talbot values its relationship with the UK regulators, the FCA and PRA, which oversee and regulate the fair and competitive market in which Talbot operates.</p> <p>Talbot equally values its relationship with Lloyd's, which facilitates the syndicated insurance market in which Talbot operates.</p>	<ul style="list-style-type: none"> <li>Board workshops with Lloyd's senior executives to discuss Lloyd's market strategy and the 'Future at Lloyd's' initiative</li> <li>Talbot Board Members meet regularly with Lloyd's and the PRA and report key issues and subjects discussed to the Risk and Compliance Committee</li> <li>Quarterly Board reporting on Operational Efficiency Strategic Pillar</li> <li>The Board considers and discusses key PRA areas of focus</li> </ul>	<ul style="list-style-type: none"> <li>The Future at Lloyd's is a key focus for Talbot in delivering its long term strategy</li> <li>Talbot works closely with the PRA to ensure that all systemic market issues are considered and action is taken where required</li> <li>Talbot works closely with Lloyd's to ensure best market practices are considered and executed where appropriate for Talbot.</li> <li>Talbot works closely with Lloyd's to ensure understanding and adherence to Lloyd's directives.</li> </ul>
<b>The Local Community and the Environment</b>	<p>The local community and the environment are important to Talbot's culture, reflected in employees' engagement in local charity work. The environment is integral to Talbot's ability to operate as a company and provide insurance coverage to its clients.</p>	<ul style="list-style-type: none"> <li>Charity work and environmental footprint reported to the Board annually via the Annual Corporate Social Responsibility report and promoted via posters in the building.</li> <li>The Risk and Compliance Committee will receive regular reporting on financial risks arising from climate change from 2020.</li> </ul>	<ul style="list-style-type: none"> <li>Talbot employees take part in a range of charity and community projects.</li> <li>A Board member has been allocated the responsibility for the management of financial risks arising from climate change.</li> <li>A working group monitors and assesses the financial risks arising from climate change which Talbot may face or is facing.</li> </ul>

## Strategic report (continued)

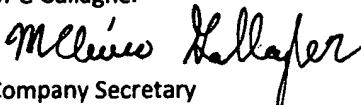
### Section 172 Statement (continued)

Table 2: Principal Decisions

Principal Decision	Impact on Long-Term Success of the Company	Stakeholder Considerations
Long term strategy refresh: 2019-2022	The Talbot strategy refresh, as set out and agreed by the Board in June 2019, consists of a 'definition of success in 2022' within specific parameters. The definition of success will be measured by achievement of targets set.	The Board considered all key stakeholders in setting out this strategy including: <ul style="list-style-type: none"> <li>- Customers/brokers</li> <li>- Employees</li> <li>- Regulators</li> <li>- Competitors</li> <li>- AIG Group/sole shareholder</li> </ul>
Restructure of the Asia Pacific Region	The Board and Senior Management considered the long term success and viability of the company and its operations in the Asia Pacific Region. It was determined that it was in the interest of the company to consolidate its operations in the region.	The Board considered a number of potential scenarios for the Asia Pacific region, taking into account local employees and customers, as well as the company as a whole.
Appointment of Board member and Acting CEO	The appointment of David Morris, was considered to be in the long term interest of the company, given his skills, knowledge and experience.	The Nominations Committee considered the appointment as part of a robust process taking account of the following factors: <ul style="list-style-type: none"> <li>- Candidate skills, knowledge and experience and the impact of the appointment on the Board composition</li> <li>- Impact on key stakeholders</li> </ul>
Appointment of Independent Non-Executive Director	The appointment of David Batchelor was considered to be in the long term interest of the company, given his skills, knowledge and experience.	The Nominations Committee considered the appointment, taking account of the following factors: <ul style="list-style-type: none"> <li>- Candidate skills, knowledge and experience and the impact of the appointment on the Board composition</li> <li>- Impact on key stakeholders</li> </ul>

Approved by the Board of Directors and signed by order of the Board.

M-C Gallagher



Company Secretary

26 February 2020

## Directors' report

The directors present their report and audited financial statements of the company for the year ended 31 December 2019. The results and principal risks and uncertainties are discussed in the strategic report.

### Future developments

The managed syndicate capacity for the 2020 year of account is £650m. The directors are confident of the future prospects of the company as the syndicate is expected to continue to operate as a going concern.

American International Group Inc. (AIG), the ultimate parent of TUL, is seeking approval from Lloyd's to launch a new syndicate in 2020 for which TUL is the nominated managing agent. The new syndicate, Syndicate 2019, is expected to reinsure AIG's existing High Net Worth portfolio.

### Dividend

The company did not pay any dividend during the year (2018: nil). The directors do not propose a final dividend for the year (2018: nil).

### Corporate governance

#### *TUL Board*

The TUL Board comprises executive directors and non-executive directors (including a Chairman, shareholder representatives and independent directors (INED)).

The non-executive directors: (i) challenge the executive directors constructively on their recommendations and running of the business; (ii) review the performance of management in meeting agreed objectives and targets and monitor the reporting of performance; and (iii) satisfy themselves that financial controls and systems of risk management are adequate.

#### *TUL Audit Committee*

The TUL Audit Committee is made up of six non-executive directors and is attended by various executive directors and members of management. The purpose of the Audit Committee is, with input from external auditors, internal audit and external actuaries, to review and to report to the board on the control infrastructure and financial reporting of TUL and the syndicate. The Audit Committee is responsible for ensuring that adequate systems of internal control are in place so that the organisation is able to manage and run its affairs. In addition, the committee is responsible for recommending the approval of the annual report and accounts to the board.

#### *TUL Risk and Compliance Committee*

The TUL Risk and Compliance Committee is made up of six non-executive directors and is attended by various executive directors and members of management. The purpose of the Risk and Compliance Committee is to oversee the risk management process, to review issues of policy and to drive the risk culture at Talbot. The Risk Committee monitors the conduct and co-ordination of risk management activities across the company and the syndicate on behalf of the Talbot Board, including the identification of key business risks and material changes to the business environment.

#### *TUL Underwriting Committee*

The TUL Underwriting Committee is made up of six non-executive directors and is attended by various executive directors and members of management. The purpose of the Underwriting Committee is to review the underwriting activities of TUL and the syndicate, ensuring such activities are conducted in such a way as to meet the objectives of the business in accordance with the syndicate strategy and business plan.

#### *TUL Remuneration Committee*

The TUL Remuneration Committee is made up of six non-executive directors and is attended by the Chief Executive Officer and the Chief Corporate Services Officer. The purpose of the Remuneration Committee is to ensure that Talbot Group remuneration policies which impact TUL are consistent with sound risk management and do not expose TUL or the syndicate to excessive risk.



## Directors' report (continued)

### Corporate Governance Disclosures regarding Wates Principles

- 1. Purpose and Leadership:** As per the Corporate Governance section within the Directors report, the Board sets out a clear long term strategy and purpose for the Company and regularly monitors progress towards the Company's strategic goals. The Board considers the impact of this strategy on each key stakeholder group, as outlined in detail in the Section 172 statement.
- 2. Board Composition:** As per the Corporate Governance section, the Board consists of both executive and non-executive directors, with a majority of non-executive directors. The duties of the Board are executed partially through Board Committees, as outlined in the Corporate Governance Report. The INEDs chair the Board Committees, other than the Remuneration Committee which is chaired by a NED, so that they are able to challenge and influence a broad range of areas across the Company. As noted in the Section 172 Statement, in 2019 a new independent non-executive director ("INED") was appointed. The current INEDs possess a broad range of experience including finance, underwriting and law and the most recent appointment brings a diversity of skills and experience to the Board that further enhances and deepens the overall competence of the Board.

Directors update their skills, knowledge and familiarity with the Company by meeting regularly with senior management, through external training courses and specific Board-training sessions which are coordinated by the Chair and Company Secretary. There is an induction process for all new independent directors, which is tailored for specific individuals. The Board conducts an effectiveness review on an annual basis, the last independent effectiveness review was conducted in 2015 and the next independent effectiveness review is scheduled to take place in 2020.

- 3. Director Responsibilities:** A statement of directors' responsibilities with regard to financial statements under company law is found in the Directors' Report. In addition to these responsibilities, the Board maintains a Terms of Reference document outlining the duties of the Board, a fundamental duty being to set the strategic aims and risk appetite of the Company. The Board delegates authority for day-to-day management of the Company to the Chief Executive Officer (CEO), who chairs the Executive Committee which meets monthly and is responsible for supporting the CEO in execution of the Board-set strategy. The Executive Committee membership includes leaders of each business area.
- 4. Opportunity and Risk:** A statement of principal risks and uncertainties is provided in the Strategic Report. As outlined in the Corporate Governance section within the Directors report, the Risk and Compliance Committee monitors the Company risk management framework and receives a quarterly report on management risks and emerging risks.

In order to promote the long term sustainability of the company, strategic opportunities are reviewed by the Board and specific objectives set by the Board. The key strategic pillars and the impacted stakeholders are outlined in the S172 statement.

- 5. Remuneration:** As per the Corporate Governance section, the Remuneration Committee ensures that remuneration policies are consistent with sound risk management and do not expose the company to excessive risk. The Remuneration Committee is responsible for ensuring that the remuneration policy of the Company complies with Solvency II and other applicable regulations.
- 6. Stakeholder Relationships and Engagement:** As per the Section 172 Statement, Talbot has identified a range of key stakeholders, each of whom is integral to the long term objectives of the Company. The Section 172 Statement outlines in detail how the Board ensures effective engagement with each of these stakeholders and how this engagement contributes to the delivery of the long term objectives of the Company.

### Professional indemnity insurance

Talbot purchases professional indemnity insurance protecting the company and all past, present and future directors and employees of the company in respect of errors and omissions and negligent acts.

## **Directors' report (continued)**

### **Directors and officers**

The following directors have held office from 1 January 2019 to the date of this report.

CNR Atkin	(Chairman, non-executive, resigned 7 May 2019)
DJ Batchelor	(Non-executive Director, appointed 1 October 2019)
PA Bilsby	(Chief Executive, resigned 1 February 2019)
TA Bolt	(Non-executive Director)
NMA Burch	(Non-executive Director)
MEA Carpenter	(Non-executive Director)
BJ Hurst-Bannister	(Acting Chairman, non-executive)
DE Morris	(Acting Chief Executive, appointed 1 February 2019)
JG Ross	(Executive Director)
M Scales	(Non-executive)
JE Skinner	(Executive Director)
CG Townsend	(Non-executive Director, resigned 6 January 2020)
ND Wachman	(Executive Director)

## Directors' report (continued)

### Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the financial statements, in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 "The Financial Standard Applicable in the UK and Republic of Ireland" ("FRS 102").

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### Independent auditors

The auditors, PricewaterhouseCoopers LLP have indicated their willingness to continue in office. The company has an elective resolution in place under s485 of the Companies Act 2006 to dispense with the obligation to appoint the auditors annually.

Approved by the Board of Directors and signed by order of the Board.



M-C Gallagher

Company Secretary

26 February 2020

# **Independent auditors' report to the member of Talbot Underwriting Ltd**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion, Talbot Underwriting Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2019; the Profit and loss account, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

## **Independent auditors' report to the members of Talbot Underwriting Ltd (continued)**

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### ***Strategic Report and Directors' Report***

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

### **Responsibilities for the financial statements and the audit**

#### ***Responsibilities of the directors for the financial statements***

As explained more fully in the Statement of directors' responsibilities set out on page 9, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### ***Auditors' responsibilities for the audit of the financial statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### ***Use of this report***

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Other required reporting**

#### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility

  
Andrew Hill (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors

London

6 March 2020

Talbot Underwriting Ltd

## Profit and loss account

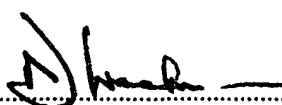
	Note	Year ended 31 December	
		2019	2018
		£	£
Turnover	4	6,500,000	6,500,000
Administrative expenses		(8,140,784)	(12,508,899)
<b>Loss before taxation</b>	5	<b>(1,640,784)</b>	<b>(6,008,899)</b>
Tax on loss	8	290,922	1,180,229
<b>Loss for the financial year</b>		<b>(1,349,862)</b>	<b>(4,828,670)</b>

## Balance sheet

		As at 31 December	
	Note	2019 £	2018 £
<b>Fixed assets</b>			
Investments	9	992,423	1,102,023
<b>Current assets</b>			
Debtors	10	13,924,146	16,752,881
Creditors - amounts falling due within one year	11	(269,650)	(1,858,123)
<b>Net current assets</b>		<b>13,654,496</b>	<b>14,894,758</b>
<b>Net assets</b>		<b>14,646,919</b>	<b>15,996,781</b>
<b>Capital and reserves</b>			
Called up share capital	12	400,000	400,000
Retained earnings		14,246,919	15,596,781
<b>Total equity</b>		<b>14,646,919</b>	<b>15,996,781</b>

The notes on pages 15 to 20 are an integral part of these financial statements.

The financial statements on pages 12 to 20 were approved by the Board of Directors on 26 February 2020 and were signed on its behalf.



ND Wachman

Director

## Statement of changes in equity

	Called-up share capital £	Retained earnings £	Total £
Balance at 1 January 2018	400,000	20,425,451	20,825,451
Loss for the financial year	-	(4,828,670)	(4,828,670)
Balance at 31 December 2018	400,000	15,596,781	15,996,781
Loss for the financial year	-	(1,349,862)	(1,349,862)
Balance at 31 December 2019	400,000	14,246,919	14,646,919



# Notes to the financial statements

Year ended 31 December 2019

## 1 General information

Talbot Underwriting Ltd, registered number 2202362, is a private company limited by shares. The company is a Lloyd's managing agency and manages the affairs of Lloyd's syndicate 1183.

The company also acts as holding company for one UK and four overseas companies which underwrite business on behalf of the syndicate. Business from Talbot Underwriting (MENA) Ltd, Talbot Risk Services (Labuan) Pte. Ltd and Talbot Underwriting (LATAM) S.A. is in run-off and has been transferred to Talbot Underwriting Risk Services Ltd. These companies are disclosed in note 9 to the financial statements.

The company is incorporated and registered in England and Wales. The address of its registered office is 60 Threadneedle Street, London EC2R 8HP.

## 2 Statement of compliance

The financial statements of TUL have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006 ("the Act"), under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

## 3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (a) Basis of preparation

The financial statements are prepared on a going concern basis, under the historical cost convention and in accordance with the Act and applicable accounting standards in the United Kingdom, including FRS 102.

### (b) Exemptions for qualifying entities under the Act and FRS 102

Under s401 of the Act the company is exempt from preparing consolidated financial statements on the basis that the ultimate parent undertaking, American International Group Inc ("AIG"), prepares consolidated financial statements.

The company has taken advantage of the exemption under FRS 102 Section 7, paragraph 3.17(d), from preparing a statement of cash flows on the basis that it is a qualifying entity and its ultimate parent company, AIG, includes the company's cash flows in its own consolidated financial statements.

### (c) Foreign currency

#### (i) Functional and presentation currency

The company's functional and presentational currency is sterling.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using either the spot exchange rate at the date of the transaction or the average rate for the period.

At each period end, foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historic cost are translated using the exchange rate at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

## Notes to the financial statements (continued)

### 3. Summary of significant accounting policies (continued)

#### (d) Revenue recognition

Revenue consists of managing agency fees from the insurance underwriting activities of the syndicate. Managing agency fees are recognised during the first twelve months of the underwriting year.

Profit commission ("PC"), expected to arise on closure of a Lloyd's year of account, is recognised on an accruals basis subject to an assessment of certainty over the year of account's profitability. PC on a year of account is recognised initially at 24 months when the year of account result can be forecast with reasonable certainty. At this point only 50% of the expected ultimate PC is recognised to allow for future factors that may potentially affect the year of account result. The remaining PC is recognised over the following twelve months as these factors diminish.

Dividends due from subsidiary companies are recognised as income once the dividend has been approved by the board of the subsidiary company.

#### (e) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity. In this case, tax is also recognised directly in equity.

Current or deferred tax assets and liabilities are not discounted.

##### i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted in the period.

##### ii) Deferred tax

Deferred tax arises from timing differences between taxable profits and total income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

#### (f) Investments

Investments in subsidiary companies are included at cost unless the value of net assets for a subsidiary is lower than its cost value. In this case, the difference between cost and net asset value is written off to the profit and loss account as an impairment of investment.

## Notes to the financial statements (continued)

### 3. Summary of significant accounting policies (continued)

#### (g) Financial instruments

The company has chosen to adopt the recognition, measurement and disclosure requirements of FRS 102 sections 11 and 12.

##### *Financial Assets*

Basic financial assets, including amounts due from group undertakings are initially recognised at transaction price and subsequently carried at amortised cost.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Financial assets are derecognised when: (a) the contractual rights to the cash flows from the asset expire or are settled; (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party; or (c) control of the asset has been transferred to another party.

##### *Financial Liabilities*

Basic financial liabilities, including amounts due to group undertakings, are initially recognised at transaction price and subsequently measured at amortised cost.

Financial liabilities are derecognised when the contractual obligation is discharged, cancelled or expires.

#### (h) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### (i) Distributions to equity holders

Dividends and other distributions to the company's shareholder are recognised in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholder. These amounts are recognised in the statement of changes in equity.

### 4. Turnover

	2019	2018
	£	£
Managing agency fee	6,500,000	6,500,000

All income arises in the United Kingdom.

### 5. Loss before taxation

Loss before tax is stated after management charges of £8,140,784 (2018: £12,508,899).

### 6. Audit and non-audit fees

The audit fees for TUL are borne by Talbot Underwriting Services Ltd ("TUSL"), a fellow group company, and are recharged to the company as part of the management charge. During the year, TUSL incurred £24,570 (2018: £24,010) in respect of audit fees to TUL's auditors and associates. There are no non-audit fees in 2019 (2018: £nil).

### 7. Employees and directors

The company has no employees (2018: none). All members of staff are employed by TUSL, which pays all their remuneration. No emoluments were paid to directors of the company in respect of their services as directors of the company (2018: none).

## Notes to the financial statements (continued)

### 8. Tax on loss

#### (a) Tax credit included in loss

	2019	2018
	£	£
<b>Current tax</b>		
UK corporation tax on loss for the year	(311,749)	(1,141,691)
Adjustment in respect of previous years	20,827	(38,538)
<b>Tax on loss</b>	<b>(290,922)</b>	<b>(1,180,229)</b>

#### (b) Reconciliation of tax charge

The tax credit for the year is lower (2018: higher) than the standard effective rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019	2018
	£	£
Loss before taxation	(1,640,784)	(6,008,899)
Loss on ordinary activities multiplied by 19% (2018: 19%)	(311,749)	(1,141,691)
Tax effect of:		
Notional interest on intercompany balances subject to tax	-	-
Adjustment in respect of previous years	20,827	(38,538)
<b>Tax credit for the year</b>	<b>(290,922)</b>	<b>(1,180,229)</b>

#### (c) Tax rate changes

The tax rate for the current year is the same as the prior year. A reduction in the UK corporation tax rate has been substantively enacted; this reduces the main rate to 17% from 1 April 2020.

## Notes to the financial statements (continued)

### 9. Investments

The company has four wholly owned subsidiary companies and one that is 99% owned.

Subsidiary companies underwriting as coverholders on behalf of the syndicate:

Subsidiary	Country of incorporation	Registered office	Interest (all direct)
Talbot Risk Services Pte Ltd ("Talbot Asia")	Singapore	AIG Building #11-16, 78 Shenton Way, Singapore 079120	100% ordinary shares
Talbot Underwriting Risk Services Ltd ("TURSL")	United Kingdom	60 Threadneedle Street, London EC2R 8HP, UK	100% ordinary shares

Subsidiary companies that have ceased underwriting as coverholders on behalf of the syndicate:

Subsidiary	Country of incorporation	Registered office	Interest (all direct)
Talbot Underwriting (MENA) Ltd ("Talbot MENA")	UAE	The Gate Precinct Building 2, Level 3, Dubai International Financial Centre, PO Box 506809, Dubai, UAE	100% ordinary shares
Talbot Risk Services (Labuan) Pte. Ltd ("Talbot Labuan")	Malaysia	Brighton Place, Ground Floor, U0215 Jalan Bahasa, PO Box 80431, 87014 Labuan FT, Malaysia	100% ordinary shares
Talbot Underwriting (LATAM) S.A ("Talbot Chile")	Chile	Avenida Apoquindo No.3650 Piso 8 Oficina 803, Las Condes, Santiago, Chile	99% ordinary shares

Value of investments at the end of each year

	Talbot Asia £	Talbot MENA £	Talbot Labuan £	Talbot Chile £	TURSL £	Total £
31 December 2019	200,000	766,288	-	1,135	25,000	992,423
31 December 2018	200,000	766,288	109,600	1,135	25,000	1,102,023

No dividends were received during the year (2018: £nil).

## Notes to the financial statements (continued)

### 10. Debtors

	2019	2018
	£	£
Amounts owed by managed syndicate	-	10,569,225
Amounts owed by group undertakings	12,491,533	5,003,427
Corporation tax recoverable	1,432,613	1,180,229
	13,924,146	16,752,881

Amounts owed by group undertakings and the managed syndicate, subject to Lloyd's distribution rules, are unsecured, interest free, have no fixed date of payment and are repayable on demand.

### 11. Creditors - amounts falling due within one year

	2019	2018
	£	£
Amounts owed to group undertakings	125,000	1,858,123
Amounts owed to Syndicate	144,650	-
	269,650	1,858,123

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

### 12. Called up share capital

Ordinary shares of £1 each

	2019	2019
	No.	£
Authorised, allotted and fully paid		
At 1 January and 31 December	400,000	400,000

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

### 13. Controlling parties

The company is a subsidiary undertaking of Talbot Underwriting Holdings Ltd, a company incorporated and registered in England and Wales. The registered office is 60 Threadneedle Street, London, EC2R 8HP.

The ultimate parent company and controlling party is American International Group Inc ("AIG"), a company registered in the United States. The registered office is 175 Water Street, New York, NY10038.

Prior to 18 July 2018, the ultimate parent company and controlling party was Validus Holdings Ltd, a company registered in Bermuda.

### 14. Related party transactions

Under FRS 102 the company is exempt from disclosing related party transactions as they are with other companies that are wholly owned within the group.